

Our first general assessment of Soviet policies following the death of Stalin, which was delivered here on 8 April, concluded among other things that an abrupt change in Soviet tactics might be impending. We felt then that the Soviet leaders might well desire a breathing spell on the international front in order to consolidate their positions at home and their control over the satellites. We noted finally that the new Soviet regime had demonstrated a capacity for great flexibility of tactics to meet the emergency posed by Stalin's decease.

The events of the past two months have reinforced these conclusions. The new Soviet government has continued to move rapidly, modifying many of the tactics characteristic of the Stalin regime, both in internal and foreign policy. A succession of recent moves on several foreign policy fronts has given substance and added impetus to the peace offensive.

Although the evidence of tactical changes is mounting, we do not believe that the strategic objectives of the USSR under Stalin have shifted. The Kremlin is still dedicated to:

1. The consolidation and defense of the Soviet Orbit;
2. The neutralization of US military power, particularly American superiority in atomic weapons;
3. The weakening and disruption of the Western coalition and the isolation of the US from its allies;
4. The reduction and ultimate elimination of Western, particularly US, power and influence in Asia and the Far East; and
5. The achievement of Communist control of, or a major voice in, Asian governments.

We consider that current Soviet tactics, both in the "peace" campaign and in the conduct of internal affairs, are more intelligently devised than Stalin's to accomplish these objectives. Certainly, they are being more subtly and more consistently applied.

Foreign policy during
The first three months of the new Soviet regime's ~~foreign~~
~~policy~~ have been marked by a series of steps designed apparently to remove some sources of East-West tension. The conciliatory

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gestures made thus far, however, have cost the USSR little.

On the larger issues, although the new regime has expended great effort to appear more conciliatory, there seems to be little possibility of any important substantive concessions other than a military truce in Korea.

The Kremlin undoubtedly realized that such a truce is a sine ~~qua~~ non for the success of its other tactics. Without it, there could be little hope for diplomatic efforts designed to dispel Western suspicions and fears of Soviet intentions. Nor would it be possible to foster in the West a sense of security tending to undermine rearmament programs or to encourage an international climate in which latent differences among the Western allies could reach serious proportions.

Hard upon the heels of two major PRAVDA editorials designed in part to exacerbate such differences in the West, the Kremlin undertook a rapid series of steps in Germany. These included:

1. The abolition on 28 May of the Soviet Control Commission and the establishment of a High Commission under

civilian control. Military and civil jurisdiction were thus separated, ^{with} ~~and~~ the military ostensibly subordinated.

2. The apparent reversal of the rapid Sovietization program in East Germany, [disclosed first] on 10 June. The new liberal policy ostensibly swept away some of the more unpopular features of the communist regime by:

- a. Halting the collectivization drive and urging refugees to return to their land;
- b. Resolving some of the regime's outstanding differences with the church in favor of the latter;
- c. Lifting restrictions on businessmen, farmers, and teachers;
- d. Releasing 4,000 prisoners who had been convicted of violating economic laws.

Propaganda surrounding these changes emphasized that the measures were designed to clear the way for unification. It seems clear that a major purpose of the moves was to encourage sentiment for unity in West Germany by making it appear that

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relations between the two parts of Germany would be possible on a relatively equal basis. By this means, it was probably calculated that the West Germans could be induced to drag their feet on implementation of integration with the West.

There is still no indication that the USSR intends to make a play for German unity on terms acceptable to the West. Indeed, the authoritative PRAVDA treatment of German issues suggests the contrary. In point of fact, the steps taken in East Germany can be interpreted as indication that the Kremlin intends to stay in control of half of a split Germany, inasmuch as they will have the effect of making the occupation less onerous at no sacrifice of real Soviet control. In this respect they resemble some of the changes taking place in the USSR itself.

Soviet moves in Austria have paralleled those in Germany, although on a less spectacular scale. On 25 May, the USSR refused a Western bid to discuss a ~~Peace Treaty~~ for Austria. On June 8, however, Soviet authorities announced that restrictions on the movement of goods and persons into their zone of Austria would

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be lifted. On the tenth, the Kremlin appointed an ambassador to Vienna. There were, in addition, ~~the~~ conciliatory moves such as a promise to cease interfering with the selection of the Austrian police and an offer to sell a disputed hydro-electric *(at Ybbs, on the Danube west of Vienna)* plant to Austria. This plant, now unfinished, had been claimed by the USSR as a former German asset.

These gestures probably reflect the Kremlin's desire to offset the bad effects of its refusal to negotiate an Austrian treaty. They underline also the new flexibility of the Soviet rulers in giving diplomatic support to the more conventional tactics of the "peace offensive". This feature was almost always absent from peace campaigns under the old regime.

A new diplomatic finesse has also been visible in Soviet Balkan strategy. During March and April, friendly diplomatic gestures of a minor nature were made toward Greece. On 30 May, in a spectacular move, Molotov handed the Turks a note renouncing previous Soviet claims on Turkish territory and Moscow's demands for a share in the defense of the straits. On 8 June, the USSR

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expressed the desire to send an ambassador to Belgrade and the hope that Yugoslavia would reciprocate. The actual exchange of ambassadors is scheduled for the immediate future. According to a London press report, the USSR has offered ~~not~~^{will} to exchange ambassadors with Greece.

These moves reflect the consciousness of the new Soviet rulers of the bankruptcy of the old policies of pressure and hostility. Moscow apparently hopes to reverse the drive for a Balkan pact by removing the reason for it. A subsidiary effect of softer tactics towards Tito might be to arouse Western suspicions of the intentions of his regime, thus leaving it dangling unsupported between East and West.

In the Near East, Moscow has made a move towards resumption of diplomatic relations with Israel. A barter agreement with Iran under negotiation for more than a year has been signed. The Kremlin may follow through with a suggestion that the 1921 pact of friendship and collaboration with Iran be brought up to date.

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Such action would symbolize good relations between the two countries.



The Kremlin has also revealed a new awareness of the value of trade and trade propaganda as supports for its political efforts to undermine Western solidarity. It aims apparently to secure a limited increase in trade with the West to supplement bloc production of industrial commodities still in short supply and to make available within the USSR a somewhat larger quantity of consumer goods. Current Soviet bloc trade approaches are comparatively realistic, calling for trade expansion and specifying bloc exports desired by the West which are well within bloc capabilities to deliver. An indication of the Soviet interest in utilizing trade as a weapon in its current "peace" campaign is the fact that some 80 bilateral trade talks were initiated between



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the Soviet bloc and Western countries following the Geneva meeting of the Economic Commission for Europe in mid-April. Soviet bloc observers at the mid-May meeting of the International Chamber of Commerce in Vienna have reportedly made unofficial approaches to Western delegates in order to explore trade possibilities.

The orbit's trade tactics are also more skillfully tailored to the economic bargaining strength of the various Western European countries. For instance, the bloc is adamant in demanding the delivery of strategic goods by Italy and Austria. In negotiations with the Scandinavian countries, on the other hand, it has recognized its weaker bargaining position and made some concessions on items subject to Western export controls.

Where the purchase of larger quantities of consumer goods from the West is made contingent on the delivery of more strategic industrial items, as in the case of France, the Kremlin has a powerful bargaining lever. Western producers of textiles and other consumer goods are having great difficulty in finding markets.

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The new bloc overtures are particularly effective in conjunction with trade propaganda exploiting the fear of Western governments and businessmen that the US is raising new tariff walls. Bloc negotiators are also attempting to create dissension in Western Europe by playing off Western negotiators, one against another. The Soviet trade approaches have already resulted in a marked expansion of trade with the West and have reinforced the insistence of some COCOM members on exceptions to previously agreed strategic controls.

Inside the USSR, the new leaders are showing in many ways that they have a different and more liberal approach to the art of government than had Stalin. They show a tendency to reduce their emphasis and dependence on police and forced labor.

1. The reversal of the Doctors' plot was openly critical of irresponsible police action which occurred under the old regime.
2. The amnesty decree not only released an unknown but undoubtedly large number of forced laborers - it also

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contained a promise to rewrite the criminal code,
purportedly ^{to} ~~in favor~~ further safeguarding individual
rights.

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In at least the Ukrainian and Georgian Republics there
have been indications that Stalin's extreme Russification policy
has been ostensibly, if not actually, abandoned.

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original plan

goals for producing consumer goods have been raised and are al-
ready being implemented.

There have been other indications that the difficult living
conditions of the ^{people} ~~masses~~ will be somewhat eased: the price cuts

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this year were among the largest since the war; the delay in announcing the 1953 budget suggests a revamping of the 5-year plan with the possible abandonment of some long-term costly production projects; there are strong Moscow rumors

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that the annual state loan, always a hardship to the individual, will not be imposed this year.

These moves in no way add up to a democratization of the USSR or even to a diffusion of the political and economic authority concentrated at the top. What we are now seeing is a greater flexibility in running the Soviet Union than Stalin apparently felt was safe. Stalin's extreme emphasis on coercion, tension and violence may well have been products of both his own personality and the times in which he rose to power. However, the leaders who have only recently come to power already have long backgrounds of administrative and technical experience - in some cases including formal technical education. And they rule a

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country which in comparison with the 1920's is far more industrialized and ^{far} better educated. They may well consider that their more liberal approach to internal conditions and problems will provide their reign with greater stability - that a rise in consumer goods will raise morale, make the incentive pay system more effective, and compensate by greater worker productivity for any temporary de-emphasis of present military and heavy industrial production. They may feel that by this approach the broad objectives of Communism can eventually be obtained with less strain, less cost and less risk. Furthermore, the consistency of the present internal program argues that any power struggle in the Kremlin has been submerged, at least temporarily, beneath agreement among a majority of the top half dozen leaders.

Developments in the satellites reinforce the view that the new Soviet policies are contrived to accomplish specific objectives and are not in themselves indicative of any significant change in Soviet aims. Since the death of Stalin and Gottwald there

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have been no major shifts in the leadership of the Satellite Communist parties ^{or} ~~and their~~ governments. Neither have there been any major changes in the organizational apparatus of the local parties. Thus, it appears that the new Soviet regime believes the apparatus through which it controls the peoples and production of Eastern Europe should be left undisturbed for the time being, regardless of any dissatisfaction with the performance and capabilities of the various Satellite leaders.

While the Soviet regime has made several important moves to enhance its popularity with its own people, there has been no similar easing up on the Satellite ^{peoples.} ~~populace.~~ In fact, life has become more difficult in Eastern Europe because of food shortages, government monetary reforms and continuing pressure on the workers and peasants.

This is particularly well illustrated by the 30 May currency reform and abolition of rationing in Czechoslovakia which practi-

cally wiped out savings and reduced purchasing power ^(by anywhere) ~~approximately~~

^(depending on the amount of savings possessed by the individual.)
from 15 to 40 percent, The reform allegedly was aimed at "kulaks" and

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speculators. It so seriously lowered the worker's standard of living, however, that this group, generally one of the regime's strongest supporters, reacted by demonstrations, riots and strikes. The Czech security forces were able to contain these anti-regime demonstrations and reaction has now receded to sullen passive acceptance of the reforms.

There have been political amnesties in Rumania and Hungary, but these were much more limited in scope than that in the USSR. Also, there is good evidence that the Rumanian amnesty was being planned and carried out long before Stalin's death.

The USSR has shipped larger amounts of grain, including seed grain and fodder, to the Satellite area to offset the shortages resulting from last year's crop failures. However, in the cases of Hungary and Rumania, where the food shortages were the most severe, Soviet grain was not used ~~to any extent~~ ^{to any extent} to alleviate internal shortages of food, being employed instead in trade deals with the West in exchange for desirable industrial equipment.

There have been no changes in the basic structure and proce-

dures of the various Satellite security organizations which would

reflect changes in policy on security matters. In several local situations such as the Czechoslovak monetary reform, Yugoslav-Hungarian border incidents, anti-Communist subversive operations and security police operations against Western diplomatic missions, the Satellite regimes have not hesitated to use high-handed measures without regard for the feelings of their own peoples or the West.

"Vigilance" is still the watchword in the Satellite area against the traditional enemy of Western "imperialism," although this line is not publicized to the extent that it was prior to Stalin's death.

The pressure which has been exerted on the predominantly peasant population of Eastern Europe remains unchanged. In Hungary, the "kulak" has been attacked even more severely recently. In the field of intra-Orbit trade, the trend of gradually increasing integration has continued during recent months. Changes in the internal economic field have all had the effect of making life even more difficult for the people and have clearly been

intended to make them more subservient to the regime.

The strengthening and integration of Orbit military forces in Eastern Europe is also continuing. Orbit military capabilities consequently are improving with no discernible let-up.

The Satellites have been supporting the Soviet Union's pose of friendliness toward the West in general by amicable gestures toward Western diplomatic officials. The Satellite regimes have not, however, made any substantive concessions of importance.

In conclusion, the new Soviet regime has ~~ha~~ clearly displayed considerably greater flexibility than its predecessor in developing different methods in the conduct of foreign and internal governmental relations to achieve the USSR's continuing objectives.

It probably considers that with an end to the fighting in Korea, new pressures from our allies will be released: for relaxation in tight trade controls, for four (or five) power negotiations, for "stretch-outs" in rearmament and NATO planning, etc. As long as fighting continued, the US had a strong argument against raising many of these thorny problems, and our allies were willing,

if sometimes reluctantly, to defer considering them.

Moscow itself probably hopes to be able to postpone serious discussions until pressure and frictions accumulate throughout the non-Communist world to the point where Soviet propagandists can present US unwillingness to enter East-West talks as a measure of bad faith.

The current high volume of propaganda devoted to the bright prospects of expanded East-West trade will reinforce West European interest in political talks. This is an opportune time to capitalize on European frustrations and resentments regarding US trade policies. Pressure is constantly increasing to relax the restrictions on the shipment of strategic goods to the Orbit.

At the WPC meeting now being held in Budapest, the Soviet spokesman Ilya Ehrenburg summed up the aims of the Soviet Union as:

1. To secure the admission of Communist China to the UN;
2. To end the rearmament of West Germany and create a neutral, united Germany;
3. To encourage the smaller nations to break away from NATO

and make regional pacts with their neighbors.

With all this in mind, it would seem that Soviet leaders for some time will not deem it necessary to go [✓] further than to repeat assurances of willingness to negotiate, and to reiterate Soviet peaceful intentions while adjusting bilaterally some disputes with nations on the Orbit periphery. They will delay their reply to US demands for evidences of "sincerity and peaceful intent" in order to test Western reaction to Soviet conciliatory moves. These reactions so far give the Soviet leaders good reason to believe that their new tactics are correct. The London Economist has observed that "what is surprising and alarming is to see how little has to be said from Moscow to obscure the memory of so much that has been done."